Institutions (FIs) such as Industrial Finance Corporation of India Limited (IFCI) do not generally interefere in day-to-day management of assisted companies. FIs have evolved appropriate mechanism to maintain effective linkage with their borrowers. An important linkage with the borrowers is the appointment of nominee directors on the board of assisted companies. FIs have evolved guidelines in respect of nominee directors. The nominee directors are expected to act in the best interest of the company and also safeguard the interest of the FI concerned. Industrial Development Bank of India (IDBI) has reported that experience of the FIs with regard to nominee directors has generally been satisfactory.

India's Debt service payments to the World Bank

2272. SHRI GOVINDRAO ADIK: Will the Minister of FINANCE be pleased to state:

(a) whether Government have seen the recently released annual report of the World Bank wherein it is indicated that India's debt service payments to the World Bank have exceeded gross loan receipts during 1994-95 thus making India a negative borrower from the World Bank for the first time;

(b) whether it is also true that India's gross borrowings during 1990-95 ($11,576 millions) exceeded Mexico's ($9,776 millions) and even China's ($9,325 millions); and

(c) if so, the reaction of the Government thereon?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DEBI PROSAD PAL): (a) and (b) Yes, Sir.

(c) Government is conscious about the country's external debt liability and keeps a constant watch on the level of country's indebtedness and likely burden to debt servicing. While contracting foreign loans, it is always kept in view that the debt burden and the debt servicing liability of the country does not exceed the capacity of the economy to service such loans.

Introduction of Forex Clearing System

2273. SHRI VIREN J. SHAH:
SHRI PRAMOD MAHAJAN:
SHRI SATISH AGGARWAL:

Will the Minister of FINANCE be pleased to state:

(a) whether there is any proposal under the consideration of the Reserve Bank of India for introducing the forex clearing system to enable the Indian Banks to deal directly with Central Banks abroad and also for setting up a large V-sat network to cover not only specific centres but also the currency chest centres;

(b) if so, the details thereof; and by when the system is likely to be introduced; and

(c) what steps Government have so far taken for the computerization of banking and financial sector and to utilise the electronic clearing services?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. DEBI PROSAD PAL): (a) The Reserve Bank of India will shortly be introducing an Inter Bank FOREX Clearing System for the settlement of inter-bank FOREX transactions in India. The settlement will be effected by Reserve Bank of India through its NOSTRO Account, specifically opened for the purpose, with Federal Reserve Bank, New York (the Central Bank of New York, New York). The clearing system does not require Indian Banks to deal directly with the Central Bank abroad. A separate Wide Area Network (WAN) for the Clearing System has been set up, which is exclusive of the proposed VSAT Network.

(b) The proposed system is a multilateral, end of day, designated time,

netting system, a mechanism by which the deals among the Member Authorised Dealers are settled through a process of netting and only the net receivable of payable of the member banks will be effected through the NOSTRO Account maintained by the Reserve Bank of India with the Federal Reserve Bank, New York (FRBNY).

The net receivable amount, in US Dollars, in favour of the Member Authorised Dealer will be paid to its designated foreign Correspondent Bank in USA, by debit to the RBI NOSTRO A/c with FRBNY. The net payable amount, in US Dollars, by the Member Authorised Dealer will be paid by its Correspondent Bank of USA for credit to the RBI NOSTRO Account with FRBNY.

All Authorised Dealers in India are eligible for membership to the FOREX Clearing System. Initially, the clearing arrangement will be confined to spot transactions in US Dollars only and over a period of time all other transactions and currencies will be covered.

It is estimated that the netting will produce an overall reduction in the value and volume of transactions that are required to be settled outside India to the extent of 80%. In other words the netting process will result in mutual cancellation of the bulk of the transactions. The system is expected to bring about considerable savings in cost of putting through transactions by Indian Banks with their foreign correspondent banks, cost of sending accounting messages, simplification in dealing room accounting, etc. Trial runs are under way and decision is yet to be taken as to the date of introduction of the live run.

(c) Computerised ledger posting machines were installed at 3651 branches and 454 mini computers were installed at regional/zonal offices. Fifteen banks have installed mainframe computers at their head offices. Total number of staff having undergone computer training programmes at different levels reached 85835. 4321 branches are eligible for full/total computerization. Banks have also prepared action-plan for full computerization of 2374 branches during the three year period 1994 to 1997 out of which 626 branches were fully computerised as at 30th June, 1995.

As regards, the steps taken to utilise Electronic Clearing service to reduce volume of cheques as well as improve customer service, ECS Credit Clearing has been introduced with effect from 1st April, 1995, and initially made operational at RBI's Bombay and Madras National Clearing Centres and steps are being taken also to make it operational at RBI's New Delhi and Calcutta National Clearing Centres in near future. At present corporate bodies like HDFC, ICICI, SBI, Tata Finance, UTI, Indian Hotels have joined the scheme for making dividend/interest payments to their investors/shareholders. Also Kotak Mahindra, Saraswat Bank, Tata Share Registry etc. are expected to join it in the near future. Inocme Tax Department, Bombay, Bombay Port Trust, Indian Airlines Corporation have evinced their keen desire to join the scheme for making payments of salaries to their members of staff.

Establishment of Note Printing Press at Mysore

2274. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) whether a note printing press has been established at Mysore, Karnataka;

(b) if so, the details thereof; and

(c) if the answer to part (a) above be in the negative, the time by when it will be set up?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. DEBI PROSAD PAL): (a) to (c) The first phase of production in the New Note